USDA

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Title: Title I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 05-5, Maryland State and County Income Tax Withholding

Date: March 16, 2005

To: Holders of TAXES (State of Maryland only)
Personnel User Groups
T&A Contact Points in Maryland

Beginning with wages paid for Pay Period 6, the National Finance Center (NFC) will change the withholding rate for the following counties in the state of Maryland:

- Kent County will increase from 2.58 percent to 2.85 percent.

- St. Mary's County will decrease from 3.10 percent to 3.05 percent.

Also, the nontaxable flexible spending accounts (health care and dependent care) deductions statement will be added to step 2 on the Maryland state tax formula.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page (*www.nfc.usda.gov*) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630** . Please refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at *customer.support@usda.gov.*

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N F C   B U L L E T I N

Maryland State Income Tax Information

State Abbreviation:	MD
State Tax Withholding State Code:	24
Acceptable Exemption Form:	MW 507
Basis For Withholding:	State Exemptions
Acceptable Exemption Data:	0/Number of Exemptions
TSP Deferred:	Yes
Special Coding:	Determine the Total Number Of Allowances field as follows: **First Position** - Enter 0 (zero). **Second** and **Third Positions** - Enter the number of exemptions claimed.
Additional Information:	The Maryland state income tax formula contains a computation for Maryland county tax. Residents of the state of Maryland are required to pay the appropriate county tax in addition to the state income tax. Nonresidents of Maryland pay only the state income tax. Refer to the withholding formula for information on the individual county rates.

Withholding Formula ▶(Effective Pay Period 6, 2005)◀

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.

2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) ▶(includes flexible spending account - health care and dependent care deductions)◀ from the amount computed in step 1.

3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.

4. Multiply the adjusted gross biweekly wages times 26 to obtain the gross annual wages.[1]

    [1] *If gross annual wages are less than $5,000, taxes will not be withheld.*

5. Determine the standard deduction by applying the following guideline and subtract this amount from the gross annual wages computed in step 4.

    Standard Deduction[2] = 15 percent x Annual Wages

    [2] *Minimum of $1,500/Maximum of $2,000*

6. Determine the dependent allowance by applying the following guideline and subtract this amount from the result of step 5 to determine the taxable income.

    Exemption Allowance = $2,400 x Number of Exemptions

7. Multiply the taxable income computed in step 6 times 4.75 percent to determine the annual Maryland state tax withholding.

8. Divide the result of step 7 by 26 to obtain the biweekly Maryland state tax. **Residents** of Maryland are to proceed to step 9 to compute Maryland county tax.

9. **If the employee is a resident** of the state of Maryland, compute the annual county tax withholding as follows:

a. Repeat steps 1 through 5.

b. Determine the dependent allowance by applying the following guideline and subtract this amount from the result of step 9a to determine the taxable county income.

Exemption Allowance = $2,400 x Number of Exemptions

c. Apply the taxable income computed in 9b to the following guideline to determine the appropriate county income tax:

Compute the Annual Income Tax Withholding For:	By Multiplying the Annual Taxable Wages By:
Allegany	2.93%
Anne Arundel	2.56%
Baltimore City	3.05%
Baltimore	2.83%
Calvert	2.80%
Caroline	2.63%
Carroll	3.05%
Cecil	2.80%
Charles	2.90%
Dorchester	2.62%
Frederick	2.96%
Garrett	2.65%
Harford	3.06%
Howard	3.20%
Kent	▶ 2.85%◀
Montgomery	3.20%
Prince George's	3.20%
Queen Anne's	2.85%
St. Mary's	▶ 3.05%◀
Somerset	3.15%
Talbot	2.25%
Washington	2.80%
Wicomico	3.10%
Worcester	1.25%

d. Divide the result of step 9c by 26 to obtain the biweekly Maryland county tax.

e. Add the results of steps 8 and 9d to determine the resident's biweekly Maryland state and county tax combined withholding.